

TESTIMONY BY WESLEY K. MACHIDA
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STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON INFORMATIONAL BRIEFING ON THE STATUS OF THE FEDERAL DRAWDOWN
OF FEDERAL GRANTS BY CERTAIN
STATE EXECUTIVE AGENCIES

November 5, 2015

Chair Tokuda, Vice Chair Dela Cruz, and Committee Members:

I am here today to discuss with you the role of the Department of Budget and Finance (B&F) in regard to the drawdown of federal funds by State departments and agencies.

B&F currently has 2 individuals in its Office of Federal Awards Management that support State departments in their budgeting, accounting set up, reporting in the Federal Award Management System ("FAMS"), assist in resolving department's issues, and identifying and streamlining statewide policies and procedures regarding federal awards and expenditures.

The State has a decentralized system for managing and monitoring federal awards. Under this system, the responsibility for managing the efficient drawdown of federal funds lies with the State departments and agencies that are the recipients of such federal awards.

The State (excluding University of Hawaii) receives about 300 separate federal awards each year that account for about \$2.5 billion in federal funds. These funds make up approximately 20% of the State's revenue. According to the Federal Fund Information for States (FFIS), Hawaii ranks 16th in per capita federal spending at \$2,152, a 41.6% change from 2009, when Hawaii ranked 39th with per capita spending

of \$1,519. The federal funding agency awards individual federal awards directly to the identified eligible state department. Typically, a federal award will have an award amount, an approved spending plan, and a performance period to use federal funds. B&F does not currently have the capability, including resources to monitor the drawdown status of each federal award across all departments. To develop this ability, the State would not only need to adopt a more centralized model for federal award management and a better financial accounting system, but B&F would also require departmental plans and operational data that impact the drawdown of federal awards. Furthermore, a centralized model would require the participation of all State departments and agencies to ensure the completeness and accuracy of federal awards, drawdowns, and expenditures.

In lieu of a centralized system that, to our understanding, no other state has, the B&F has been working with the Governor's Office, Department of Accounting and General Services and the Office of Enterprise Technology Services to establish policies and introduce the FAMS, to improve overall federal award management in the State. The objective of these efforts is to improve the transparency of federal fund budgeting and spending, including federal drawdowns. Currently, the general process is as follows:

- During the budget process, State Executive departments and agencies are required to identify all major recurring federal awards and all other federal awards anticipated to be received during the upcoming fiscal biennium or supplemental year and request federal fund or other federal fund appropriations in the budget bill.

- After the budget bill is enacted, each identified federal award is assigned a unique appropriation account symbol to ensure each award is separately accounted for from receipt to obligation to expenditure.
- Within fourteen days of the receipt of a federal award notice, State Executive departments and agencies (excluding the University of Hawaii) are required to create an award record to report the receipt of the federal award to the B&F using FAMS, which is a feature of DataMart (web-based reporting tool).
- The award record created in FAMS includes the appropriation account symbol assigned to the award. As such, FAMS provides an “Appropriation Account QuickView” feature that allows State grant managers to quickly access financial information (e.g., revenues and expenditures) for each award and is a resource that can help them to better monitor the drawdowns and expenditures for each respective award. Although the difference between the federal award and the reported expenditures represent the potential federal funds available to be drawn down, it does not provide information on pending cost reimbursements, procurements in process, and other department plans and information that are critical to determine the efficiency and effectiveness in using the federal monies.

B&F is continuing to work on initiatives to streamline and enhance current federal fund processes, including providing additional information electronically and facilitating financial reporting by grantees, to improve federal compliance and monitoring by departments of federal awards.

Thank you for the opportunity to provide this testimony.